

STATE REPRESENTATIVE  
**KRISTEN DEXTER**

WISCONSIN STATE ASSEMBLY

68TH DISTRICT

**Testimony from Representative Kristen Dexter  
February 17, 2010**

**Committee on Health, Health Insurance, Privacy, Property Tax Relief, and Revenue  
In Support of Senate Bill 425**

Chairman Erpenbach and committee members, thank you for the opportunity to testify today on Senate Bill 425.

During this past year I've talked with dozens of businesses in my district about the challenges that face them as they struggle to survive in this economy. The president and vice president at one of those businesses were particularly eloquent as they described their dismay at having to cut back on health care benefits - among other things - during these past couple of years in order to keep their business afloat. They talked about how the escalating cost of health insurance is hindering them from expanding their services and hiring new workers, but discontinuing health benefits entirely was unacceptable to them as leaders of a company - a company that prides itself on its' small, family-friendly atmosphere.

Who uses HSA's? **Largely, middle and low-income people do** and our bill is tax relief targeted towards that group of taxpayers. A 2009 study by AHIP (America's Health Insurance Plans) found that 83% of American households using a HDHP/HSA have incomes less than \$75,000 and in Wisconsin, 40% of tax filers age 19-64 who reported HSA activity on their federal tax returns have average annual incomes below \$60,000.

When an employee moves from traditional health insurance to an HDHP/HSA, out of pocket expenses do go up, but the premium cost goes down enough and the savings are enough to fund the HSA account and cover most, if not all, of the deductible.

**The previously uninsured** also use HSAs. 27% of HSA members in employer-based plans were previously uninsured, which translates to 2.5 million people nationwide.

**HSAs primarily serve families**, not just the young and healthy. One of the arguments against "incentivizing" HDHP use with a tax break is that only the young and healthy who feel invincible will move toward them, leaving older, less healthy people in traditional plans who, in turn drive up cost. However, **most people using HDHPs are between the ages of 40 - 59**. Mature couples and families have the highest rates of savings and highest average year-end balances in their HSA accounts.

**People who are engaged in their health** use HDHP/HSAs. People with chronic conditions use them, and report similar patterns of use as their chronically ill counterparts in traditional plans, especially regarding preventive care. In fact, chronically ill participants had lower costs, but report similar patterns of use of prescriptions, radiology, and hospitalization. Virtually all HDHPs cover preventive care services, such as routine medical exams, immunizations, and well-baby visits without requiring the insured to first meet the deductible.

One large company in my district began to offer their employees an HDHP/HSA product a couple of years ago and their employees report changed behavior that reduces cost of care, while continuing to seek needed care. A synopsis of results of the approximate 2,920 covered members is as follows:

- Their employees are visiting their doctors for more preventive care than with other health plans;
- Virtually all (98%) of those on the HDHP are going to network doctors and clinics, which is less expensive than an out-of-network doctor or clinic;
- Employees are choosing generic drugs when appropriate – more than 65% of the prescriptions purchased in 2008 were generic;
- Inpatient cost increased, which indicates that if members need to stay in the hospital, they do;
- Outpatient cost and use declined by 9.7% overall, indicating members are using preventive care options as their first line of defense for care instead of the ER;
- Good consumer behavior marked by an increase in generic drug use, better than average use of preventive care, and higher than average employee HSA contributions.

According to a 2008 Kaiser Study, 72% of employers contribute to HSA accounts, for an average of \$2067 for family plans.

As of January 2009, approximately 8 million people nationwide were covered by HDHP/HSA products. This represents an increase of almost 2 million from a year earlier, and 3.5 million from the year before that. Enrollment continues to rise and in the absence of comprehensive health care and insurance reform, that rise will continue. Whether we like the move toward HDHPs or not – the move is occurring. Doesn't it make sense to offer the tax benefit to these middle class families?

A 2009 national survey of HSA users shows that owners are overwhelmingly satisfied with their accounts. **Most importantly, 3 out of 10 respondents said they wouldn't have health insurance if it weren't for HSAs. 82% were satisfied or very satisfied, and 74% would recommend HSAs to a friend or family member.** Ninety one percent said the accounts should be an option for all Americans, and 78% indicated they should be included as an option in health care reform.

This is a notion that has been embraced by Democrats as part of the Gielow Richards Wisconsin Health Plan of 2005. In the bill summary the authors state:

*"One of the main goals is to reduce the cost of doing business in Wisconsin, by lowering both health care costs and taxes and making it easier for Wisconsin employers to create jobs, pay higher wages, and earn solid profits."* The summary also emphasized preserving consumer choice and promotion of competition in the medical service industry.

We have an opportunity to provide incentives for employers to create health plans with an HSA component that are good for people. Employers have a vested interest in helping their employees remain in good health because they know it improves their productivity and profits. We have an opportunity to offer a tax break for health savings accounts to the very families that so many of our legislative efforts focus on: middle and lower income families who have been particularly hard hit in this economy. We have an opportunity to give some desperately needed breathing room to the businesses that we so diligently are working to support as our economy inches forward. We have an opportunity to change business as usual under this dome.

Again, thank you for convening today and I hope that we can work together to pass Senate Bill 425.



## STATE SENATOR PAT KREITLOW

### TESTIMONY BEFORE THE SENATE COMMITTEE ON HEALTH, HEALTH INSURANCE, PROPERTY TAX RELIEF AND REVENUE

#### SENATE BILL 425 TAX DEDUCTION FOR HEALTH SAVINGS ACCOUNTS FEBRUARY 17, 2010

Thank you for the opportunity to speak to the committee about Senate Bill 425. This is a groundbreaking day in this legislative session, especially for those of us who are still relatively new members of the new Democratic majority... as we talk about our priority to target new tax relief to middle class families while at the same time increasing opportunities to find affordable health care options for them.

And that's a key word you need to remember about this bill: Options. Our nation has a very fragmented system of health care coverage, which makes it absolutely essential to seek out new options or modify previous ones as circumstances allow. We do not have a "one size fits all" system of health care coverage, like a national single-payer option or a system where every employer must cover every employee. These are things a lot of people would like... but in the current environment, we have to stay on top of current health care coverage trends and target our policies in ways that benefit as much of Wisconsin's workforce as possible.

Unfortunately, the issue of Health Savings Accounts and High Deductible Health Plans has become a political football in the debate over health care. Too many Republicans looked at HSA's as the centerpiece of coverage reform... that would be far too inadequate. And too many Democrats looked at HSA's as being easy to oppose... because so many Republicans like 'em! And because there are... or were... valid concerns about HSA's being used to shelter wealth and High Deductible Health Plans potentially making things worse because preventative care wouldn't be covered.

Well, as Representative Dexter pointed out, the vast majority of HDHP's do cover preventative care. And our bill is written specifically to benefit the middle class so that HSA's cannot be used primarily as a tax shelter, but rather for the affordable family health care that is the original intent of this particular health care option.

This bill is the right steps for Democrats to take. We were prudent to wait and see if the private marketplace would live up to its claims and provide a track record of success. That has been done, and we are in a good position to now reward the effort to ensure that health plans tied to health savings accounts do cover preventative care, do protect primarily middle class families and do help families and hometown businesses keep an eye on costs while ensuring we have coverage at a level that is the envy of other states.

Mr. Chairman, I understand there is opposition to this bill based—in large part—on a belief that everyone should have FULL health insurance coverage, preferably employer-paid or government sponsored... with little to no out-of-pocket responsibility. It sounds rather utopian today, even though many Americans had that kind of coverage just a generation ago. My first jobs had that kind of coverage. And, as a Democratic majority, we have worked for and proposed comprehensive health care coverage... at the state and federal levels. Our friends in Labor have been tireless in ensuring that America's working men and women have health care security, and we have suffered the rhetoric and backlash that comes when we are up against forces that would prefer an approach that essentially says "every man for himself." Our dedication toward increasing the number of families with comprehensive health care coverage is no less fervent.

But the debate in Washington, while disappointing and divisive, also makes it clear that even with Democratic majorities, the move toward comprehensive health coverage will almost certainly include a wide variety of options for families and employers... and Health Savings Accounts will play a role, so let's remove Wisconsin from the short list of just four states that don't offer a tax benefit for families who use these accounts to help ensure adequate health care.

It is my hope that today's hearing is most beneficial to my own friends in Democratic and Labor circles... that by asking us to re-visit the arguments on HSA's and listen to what's been happening in the small businesses around Wisconsin, we can make the decision to support a middle class tax cut that comes with HSA's which are not the solution to health care... but remain a viable part of a solution... and come to the conclusion that we are right to take the next step toward helping the middle class take advantage of where HSA's are indeed beneficial.

We're keeping Wisconsin healthy, good for business and fiscally responsible.

Thank you.

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## **CITIZEN ACTION OF WISCONSIN**

Organizing people to make Wisconsin  
a better place to live and work

Testimony of Robert Kraig, Ph.D.  
Executive Director, Citizen Action of Wisconsin  
SB 425--State Tax Deductibility for Healthy Savings Accounts (HSAs)  
Senate Committee on Health, Health Insurance, Privacy, Property  
Tax Relief, and Revenue  
February 17, 2009

Thank you Chairman Erpenbach for all of your work to guarantee quality affordable health care for everyone in Wisconsin.

Citizen Action of Wisconsin is a grassroots organization with members across the state and 143 affiliated organizations. On behalf of our members, activists, and affiliates, we oppose this legislation.

We appreciate that Senator Kreitlow and Representative Dexter have made improvements to this bill over previous versions that have been debated. We also believe that both legislators have the best of intentions in introducing this legislation. Nevertheless, even with its improvements, we believe the bill is at best a non-solution to the health care crisis.

Citizen Action of Wisconsin has been at the forefront of opposition to this misguided policy. Using the latest empirical research, I will highlight some of our major concerns:

1. HSA qualified High Deductible Health Plans (HDHPs) shift unaffordable costs onto working families.

According to the 2009 Kaiser/Health Research and Education Trust Employer Benefits Survey, the benchmark survey of employer-based health insurance plans, the average deductible for a family HSA qualified HDHP policy is \$3,724 for a family policy and \$1,922 for a single policy.

Because of these high deductibles, people with HSHP/HSAs face higher out-of-pocket costs when they need medical care. In the most comprehensive study of such policies conducted by the GAO, a hospital stay cost 87% more for holders of HDHP/HSAs than for people who had traditional health insurance policies.

2. HSAs are the wrong direction for advancing affordable health care for all.

Encouraging HSAs undermines the bedrock assumption of health insurance—that a larger number of healthy individuals will pay into the system and spread risk in order to make it possible to provide care to a much smaller number of individuals who need extensive medical care. The landmark GAO study found that HDHP/HSAs tended to attract healthier and wealthier individuals seeking to build up tax free money in their HSAs for retirement. HSAs, unlike IRAs, are pretax money which is also not taxed upon withdrawal as long as the rules are followed. The migration of money out of the traditional insurance system will over time increase the cost of traditional insurance by diluting the risk pool. Studies by Jonathan Gruber of MIT and others have concluded that this effect will increase the number of uninsured by making insurance even more unaffordable for those who need care the most.

3. “Consumer Driven” Cost Reductions are Unproven

Advocates for HDHP/HSAs claim that such policies will unleash armies of cost conscious consumers to control medical costs. This assertion is based on pure theory, and quite frankly wishful thinking, and not empirical research. The GAO conducted extensive focus groups, and found that employees with HDHP/HSAs were no more likely to research costs before obtaining health care than holders of traditional policies. This is because consumers do not have the specialized knowledge needed to shop for health care the way they would shop for DVDs or cell phones.

A much more serious way to control cost is not individual consumers attempting to put pressure on large insurance companies, drug companies, and hospital chains, but large buying pools which use the collective buying power of millions of individuals to lower costs. This is the basis for all the serious health care reform plans that are currently on the table at the federal and state level.

4. The Income Caps in SB 425 are an improvement over previous HSA bills.

In the September 2007 Citizen Action of Wisconsin report, “Unfair Advantage,” we showed based on actual IRS tax filings that 50% of the tax benefits from a previous version of this bill would go to households making over \$100,000 per year and that only 20% would go to households

making \$50,000 or less. In other words, those who need the most help affording health coverage get the least help from this bill.

SB 425 is superior in that it does not channel resources to the wealthiest families. Nevertheless, few of the resources of this bill will go to people of middle and modest income. The fact that the tax credit is non-refundable further skews its benefits.

#### 5. Individual Market Comparisons are Misleading

Advocates of HDHP/HSAs often quote savings for non-group insurance. However these numbers are misleading because the vast majority of insured individuals get coverage from employer based group insurance policies, and because non-group insurance is so expensive even wealthier individuals often chose not to buy it. According to a Kaiser Study, "How Non-Group Health Coverage Varies with Income," people at 400% of poverty and under take up non-group insurance at rates of 25% or less, and even wealthy individuals have take up rates below 50%. This suggests that attempts to reduce the number of uninsured by giving incentives to purchase non-group policies would have to provide much greater subsidies to have any chance of succeeding. The meager tax incentives offered by this bill (\$59 to \$139 for a middle class family) would not be nearly enough incentive.

In summary, although we believe this bill is an improvement over previous versions, there are much better health care investments to be made with scarce state resources. Raising the cap on the BadgerCare Plus Core program, which now has a large waiting list, is a prime example of an investment that would do much more to extend quality affordable health coverage.



**Date: February 17, 2010**

**To: Senate Committee on Health, Health Insurance, Privacy, Property Tax Relief,  
and Revenue**

**From: Dawn Grazioso, Humana**

**Re: SB 425 - HSA Tax Exemption**

My name is Dawn Grazioso, I live in Middleton in Senator Erpenbach's district. I work for Humana in the call center in their Middleton office. Thank you for letting me tell my story today, this is my first time testifying.

I have worked at Humana for over five years, and have taken the HSA eligible plan since it's been available. The HSA makes a big difference for me and my family. I contribute at least \$200 to my HSA to get the full employer match of \$1200. That is important to me, because I am a single mom raising an 11 year old daughter. With my HSA I am able to put aside money to cover our medical costs. Every year my daughter and I get our annual checkups. All preventive care services are covered at no cost to me, even if we haven't met the plan deductible.

Humana, as my employer, puts money in my HSA. Wisconsin treats this as taxable income. This money is not wages- it can only be used for medical costs, and I don't earn it by working overtime. I feel like I am being punished by the tax on my HSA, since it is the only element of healthcare taxed by the state. Exempting HSAs for people earning less than 500 percent of the federal poverty level will bring immediate relief for those who need it most.

Thank you for the opportunity to present my testimony today. And I would like to thank the bill's authors, Senator Kreitlow and Representative Dexter, for working on fairer tax treatment of HSAs. I encourage you to support SB 425 and hope you will take action on this bill, and give the working people a break on paying taxes on their medical care.

Dawn Grazioso  
Client Specialist  
Humana





**Date: February 17, 2010**

**To: Senate Committee on Health, Health Insurance, Privacy, Property Tax Relief,  
and Revenue**

**From: Jenny St. Ours, Humana**

**Re: Senate Bill 425 - HSA Tax Exemption**

Good morning Chairman Erpenbach and members of the committee. My name is Jenny St. Ours and I am a business analyst at Humana. Thank you for holding a public hearing. I am here today to testify in support of SB 425, a Health Savings Account (HSA) state tax exemption for the middle class. I currently work full time for Humana, in their Middleton office. I have worked for Humana for 5 years. Prior to moving here I worked part time at Humana's DePere office while I pursued a degree in engineering at the University of Wisconsin- Fox Valley in Appleton.

Attending school, while working part time, was a great opportunity for me to further my education while earning an income. For the past five years Humana has provided my coverage, I have been covered by a high deductible health plan (HDHP) coupled with an HSA. Each year Humana, as my employer, contributed \$600 to my HSA. As you know, HSA funds can only be used for medical expenses. These funds, however, are considered taxable income by the state. This was very unfortunate for my situation, because the employer contribution, which is taxed as wages, bumped me into a higher tax bracket, which in turn lowered the amount of tuition assistance I was eligible for. That's why I'm here today, to help change Wisconsin law. Employer contributions to HSAs should not be taxed as wages- and should not put employees at a disadvantage for income based programs.

Wisconsin is among only a handful of states that taxes HSAs. SB 425 is targeted to help lower and middle class residents. Exempting state taxes on HSAs helps me and other workers, and not the employer. I hope you will act on this legislation soon. I plan to finish my college education, and feel strongly that you should remove this unfair penalty on working students.

Thank you for the opportunity to present my testimony today. I would especially like to thank Representative Dexter and Senator Kreitlow for introducing this proposal. I encourage you to support SB 425 and I am happy to answer any questions you may have.

Jenny St. Ours  
Business Analyst  
Humana



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February 17, 2010

To: Members, Committee on Health, Health Insurance, Privacy, Property Tax Relief,  
and Revenue

From: Bill Oemichen, President and CEO

Re: Support for Senate Bill 425, relating to Health Savings Accounts

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Cooperative Network represents 600 cooperatives, mutual insurance companies, health care purchasing plan cooperatives, and credit unions owned by approximately 2.9 million Wisconsin members. We ask for your support of Senate Bill 425, which will allow Wisconsin residents to take state tax credits for the money they put into their Health Savings Accounts (HSA) much like the tax credit currently allowed under federal tax code.

Under federal law, certain individuals may make tax-deductible contributions to health savings accounts and withdraw the money tax-free when needed to cover routine and preventive medical care. Wisconsin is one of only four states that does not allow its residents to deduct HSA contributions from their state taxes. This is a particular burden on farmers and small business owners and employees who use HSAs to augment their health coverage.

For example, in the Farmers' Health Cooperative of Wisconsin (FHCW) 560 members have enrolled in a plan that offers a HSA as a way to hold down premiums while saving for medical expenses. This bill will give these FHCW members and other Wisconsin residents the same tax treatment for HSAs that the federal government does. In addition it will treat HSAs the same as every other health care expense by making them tax deductible.

This bill provides a measure of tax relief for middle-income individuals and households who choose to contribute to a Health Savings Account. With health care costs on the rise, this bill will encourage middle class families to prepare for health care expenses by contributing to an HSA.

Thank you for considering our request for support of this important legislation.



WISCONSIN REALTORS® ASSOCIATION

John R. Flor, Chairman, ABR, CRS, GRI, RRS and e-PRO  
email: john@sixlakesrealty.com

William Malkasian, President  
email: wem@wra.org

## MEMORANDUM

To: Wisconsin Legislators

From: Mike Theo and Rick Chandler

Re: SB 425 and AB 639  
Middle Class State Tax Credit for Health Savings Accounts (HSAs)

Date: February 17, 2010

The Wisconsin Realtors Association urges your support for 2009 Senate Bill 425 and 2009 Assembly Bill 639, which provide a middle class state tax credit for contributions to Health Savings Accounts (HSAs).

Most Realtors are self-employed independent contractors and do not receive health insurance through an employer. They either purchase health insurance and pay for other medical costs as individuals, or they receive coverage through a spouse's employer.

Many Realtors who purchase coverage as individuals choose to set up Health Savings Accounts (HSAs) to pay for their basic medical expenses in conjunction with high deductible insurance policies to cover large expenses. The money they contribute to their HSAs is deductible from their income for federal income tax purposes. However, Wisconsin is one of just four states which does not have a state income tax deduction for HSA contributions.

SB 425 and AB 639 would provide a state tax credit for contributions to HSAs by middle class workers which would parallel the federal tax deduction. It would allow people with incomes up to \$54,150 for an individual or \$110,250 for a family of four to receive a state tax credit for their contributions to HSAs.

These bills would help make medical expenses and health insurance more affordable for thousands of Realtors and other self-employed workers. It would provide fairness because individuals who choose to make HSA contributions would be able to use pre-tax earnings to pay for them, just as pre-tax dollars are used to pay for health insurance costs for people who have insurance provided through their employers.

Please feel free to contact us if you would like to discuss this issue further. Thank you.





**WMC**  
WISCONSIN'S BUSINESS VOICE

WISCONSIN'S BUSINESS VOICE SINCE 1911

To: Chairperson Jon Erpenbach  
Members of the Senate Committee on Health, Health Insurance, Privacy, Property  
Tax Relief, and Revenue  
From: R.J. Pirlot, Director of Legislative Relations  
Date: February 17, 2010  
Subject: **Support Senate Bill 425**, relating to creating a nonrefundable individual income tax  
credit for certain amounts relating to health savings accounts that may be deducted  
from, or are exempt from, federal income taxes.

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Rising health care costs are a major concern for businesses, big and small, as they strive to stay competitive, whether doing business regionally, nationally or globally. Many Wisconsin businesses and their employees use health savings accounts as a tool to help stem the rate at which their health care costs are growing.

Health savings accounts can give employees a strong financial stake in their health care purchasing decisions, giving them incentives to aggressively manage their health care costs by becoming more active, engaged consumers of health care. Health savings accounts are owned by the employee and, as such, may be carried over from year-to-year and from employer-to-employer.

Under federal law, contributions to health savings accounts are deductible from income taxes and withdrawals, when used for medical care, are tax-free. Wisconsin, however, is one of four states which still taxes health savings accounts.

Under SB 425, employees with a health savings account may claim a nonrefundable income tax credit equal to 6.5 percent of the allowable amount that the individual claims as a federal tax deduction for a contribution to a health savings account or 6.5 percent of the federal tax-exempt earnings relating to an HSA, or both. The credit may not be claimed, however, by a single person, head of household, or married person who files a separate return if the person's Wisconsin adjusted gross income (AGI) exceeds 500 percent of the federal poverty level, or AGI in excess of 500 percent of the federal poverty level in the case of a married couple who files a joint return. This means employees may have an income up to \$54,150 for an individual and \$110,250 for a family of four and still claim the credit.

Wisconsin Manufacturers & Commerce respectfully requests you support SB 425.



**Wisconsin**

**Statement Before the  
Senate Committee on Health, Health Insurance, Privacy,  
Property Tax Relief and Revenue**

**By**

**Bill G. Smith  
State Director  
National Federation of Independent Business  
Wisconsin Chapter**

**Wednesday, February 17, 2010  
Senate Bill 425**

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Mr. Chairman and members of the Committee, thank you for the opportunity to make some brief comments on behalf of the 12,000 member firms of NFIB/Wisconsin.

This important legislation, which would move our state toward conformity with federal law as it relates to the establishment of health savings accounts, has the support of Wisconsin's small business community.

We believe HSA's can do for healthcare what IRAs have done for retirement savings.

I recently testified before this Committee in opposition to legislation that would pile on to the health plans of small business another costly mandated benefit. I testified we had no disagreement with any specific benefit, but strongly objected to mandated benefits that we have to pay for, but have no voice in choosing. Small business owners, almost by definition are independent, and they especially enjoy the individual control and the freedom that goes along with owning and operating a small business.

And so it is with HSAs, as they provide a level of individual control over healthcare spending, and offer freedom from healthcare decision-making often done by faceless bureaucrats, managed care companies, and insurance companies.

When HSAs were first introduced, the opposition argued they would be useful only for the wealthy and the healthy. Now that we've had a few years of experience, we know those arguments are not valid.

**Statement Before the Senate Comm. on Health, Health Insurance, Privacy, Property Tax  
Relief and Revenue  
February 17, 2010  
Senate Bill 425**

Studies show (eHealthInsurance) that nearly half of the account holders have incomes under \$50,000, and a study by the Census Bureau showed one-fourth of those purchasing HSA plans in the individual market were previously uninsured. And 59 percent of the policies purchased in the individual market, and 96% in the small group market cover preventive care on a first dollar basis. (America's Health Insurance Plans).

Not just for the wealthy and healthy, HSAs provide small business owners and their employees a useful option that often provides an affordable alternative to going with no insurance coverage.

Also attached to my testimony is a copy of an article that appeared in NFIB's member magazine *MY Business*. This article shows an example of how contributions to an HSA can even result in substantial savings for retirement. The article also quotes a Nashville NFIB member who will save 30-40% each year with an HSA account.

In conclusion, while we believe it is time Wisconsin caught up to the other 46 states and extend state tax advantages fully to HSA accounts, we do **support the limited approach of Senate Bill 425** as a significant step in the right direction.

Thank you for your consideration.

**NFIB**  
**MEMBER**  
**BENEFITS**  
**THE CHOICE OF**  
**SMALL BUSINESS**



Insurance Solutions

Health Options

Business Services

## Watch Your Money Grow in an HSA

**SHERRIE JENKINS KNOWS** that traditional health plans aren't the best use of her money. After years of paying high premiums for lower deductibles, she made the switch to a Health Savings Account (HSA).

**Big Savings** "I found that I could save 30 to 40 percent each year with a Health Savings Account," says Jenkins, owner of The Supply Room, an office supply company based in Nashville, Tenn.

Jenkins purchased a high-deductible health plan, coupled with a tax-free HSA, to cover herself and her family. Since then, she has watched the savings add up.

"What I save on premiums I contribute to the HSA," she says. "Our deductible is \$3,800, but when are you really going to have to meet that?"

Taxpayers who have high-deductible health plans can contribute up to \$2,600 a year (\$5,150 for families) into these savings accounts, which can be used to meet the deductible and pay for other qualified medical expenses.

You only pay for what you use. That's the advantage of an HSA.

"Why would you pay \$1,000 a month for a low deductible if you're not sick? You're paying that on the off-chance you'll have a claim," says Todd Page, national sales manager with the J.L. Barnes Group. "With an HSA, you buy only the insurance you need."

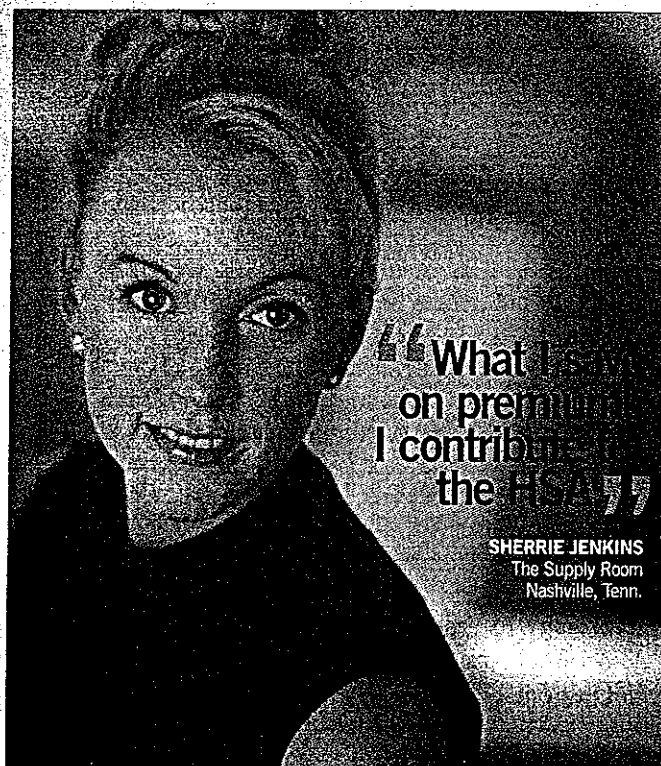
**Making Money** Money not spent stays in the HSA and earns interest, giving healthy individuals fallback funds for later expenses.

People who are at least 65 years old may withdraw money from their HSAs for any purpose without penalty, though the money withdrawn does become taxable. If you withdraw funds before the age of 65 for non-medical expenses, you will be charged a 10 percent penalty.

"You can use the HSA to pay deductibles now, pay for medical expenses later or if you don't use it for either, consider it an Individual Retirement Account," Page says.

And Jenkins knows the best part of it all. "It works just like a regular savings account. When your money is in there, it is earning tax-deferred interest," she says. "That is definitely appealing."

■ For more information or for a health insurance quote, call NFIB HealthBenefits at (888) 488-6266, or go online to [www.NFIB.com/HealthBenefits](http://www.NFIB.com/HealthBenefits).



**"What I save on premiums I contribute to the HSA"**

**SHERRIE JENKINS**  
 The Supply Room  
 Nashville, Tenn.

**Picture the Savings** By making the maximum yearly contribution to your Health Savings Account, you could have substantial savings by the time you retire – even if you use more than half of your HSA funds each year:

	Individual	Family
Yearly contribution	\$2,600	\$5,150
Withdrawal for medical expenses	\$1,600	\$3,150
Yearly savings	\$1,000	\$2,000
Projected annual return	4%	4%
Years until retirement	30	30

**Savings at retirement** **\$58,030** **\$116,060**